

Message Text

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ACTION EB-07

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1496

AMEMBASSY KINSHASA

AMEMBASSY JAKARTA

AMEMBASSY LIMA

AMEMBASSY LUSAKA

AMEMBASSY MANILA

AMEMBASSY PARIS

AMEMBASSY PORT MORESBY

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DEPARTMENT PASS OTHER OECD CAPITALS

EO 11652: N/A

TAGS: EMIN, CI

SUBJECT: U.S. PARTICIPATION IN UNCTAD PREPARATORY MEETING ON
COPPER

REF: A. STATE 230744; B. SANTIAGO 9199

1. MEMORANDUM SUPPLIED BY MINISTER OF MINES ENRIQUE VALENZUELA
IN REACTION TO SUBSTANCE OF REF A SETS FORTH BASIC CHILEAN
POSITION REGARDING CIPEC AND UNCTAD PREPARATORY MEETINGS.
MEMORANDUM (BEING POUCHED) SUGGESTS A MOST SATISFACTORY
COINCIDENCE OF CHILEAN AND U.S. POLICY IN THIS AREA. IT ALSO
CONFIRMS THAT CHILE'S REPRESENTATIVES AT BOTH MEETINGS WILL
BE COPPER COMMISSION HEAD, PABLO GONDONNEAU, THE COMMISSION'S
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COMMERCIAL DIRECTOR, MANUEL LABRA, AND CHILE'S AMBASSADOR TO

INTERNATIONAL ORGANIZATIONS, AVELARDO SILVA. FOLLOWING IS SUMMARY OF MINISTER VALENZUELA'S MEMORANDUM.

2. GENERAL CHILEAN THESIS. CHILE FAVORS THE SEARCH FOR A SOLUTION TO THE STABILIZATION OF THE COPPER MARKET. IT THEREFORE SUPPORTS THE REVIVAL OF A DIALOGUE BETWEEN CONSUMERS AND PRODUCERS BEGUN IN GENEVA IN MARCH 1976. HOWEVER, THE DIALOGUE SHOULD GO FORWARD WITHIN THE FRAMEWORK OF COUNTRIES INTERESTED IN COPPER, WHETHER PRODUCERS OR CONSUMERS. CHILE FOR THAT REASON OPPOSES THE INCLUSION OF COPPER IN THE UNCTAD INTEGRATED PROGRAM, GIVEN THAT THAT PROGRAM INCLUDES COPPER, TOGETHER WITH 18 OTHER PRIMARY MATERIALS, NOT TO MENTION 100 COUNTRIES.

3. SPECIFIC REASONS WHY GOC OPPOSES THE INCLUSION OF COPPER IN THE UNCTAD PROGRAM.

A. THE 10 BASIC PRODUCTS THAT ARE CONSIDERED THE "NUCLEUS" OF THE INTEGRATED PROGRAM WOULD INVOLVE AT LEAST 90 COUNTRIES AS EXPORTERS AND 75 AS IMPORTERS. HARMONIZATION OF VIEWS AMONG COUNTRIES (WITH DIVERGENT INTERESTS AND WITH DIVERGENT POSITIONS REGARDING A WIDE RANGE OF MEASURES) WOULD BE REQUIRED BEFORE SUCH A PROGRAM COULD MATERIALIZE. SUCH AGREEMENT AT PRESENT DOES NOT SEEM FEASIBLE.

B. THE VARIETY OF PRODUCTS INVOLVED IN SUCH A PROGRAM WOULD CAUSE SERIOUS DIFFICULTIES IN ORGANIZING A COHERENT AGENDA, ESPECIALLY IN THE AREAS OF STABILIZING MEASURES, MANAGEMENT OF BUFFER STOCKS AND THEIR FINANCING THROUGH A COMMON FUND.

C. HENCE, THERE IS A LACK OF CLARITY RESPECTING PROBLEMS OF PRICE STABILIZATION AND REVENUES, FINANCING, ADMINISTRATION AND THE MEANING OF AGREEMENTS FOR PRODUCTS WITHIN THE PROGRAM. IF ONE CONSIDERS ONLY COPPER, HOWEVER, THE NUMBER OF COUNTRIES INVOLVED IN A PRICE STABILIZATION AGREEMENT DIMINISHES NOTABLY. THE 10 PRINCIPAL EXPORTING COUNTRIES ACCOUNT FOR 95 PERCENT OF THE TOTAL AND THE 10 PRINCIPAL IMPORTERS EXCEED 87 PERCENT OF THE TOTAL.

D. PRESENTLY THERE DO EXIST ALTERNATIVE VIABLE SOLUTIONS TO LIMITED OFFICIAL USE

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THE PROBLEM OF MARKET FLUCTUATIONS IN THE PRIMARY MATERIALS-- ESPECIALLY FOR COPPER. THERE ALSO EXIST CONCRETE PROPOSALS BY DIFFERENT ORGANIZATIONS AND INTERESTED COUNTRIES FOR DEALING WITH THE PROBLEMS OF EACH OF THE PRIMARY MATERIALS BY ITSELF.

E. THE COUNTRIES INVOLVED IN THE CIPEC-SPONSORED PRODUCER-CONSUMER DIALOGUE DID NOT SET FORTH A SPECIFIC

MODE OF PRICE STABILIZATION. SOME OF THE COUNTRIES, HOWEVER, HAVE STATED THEIR DESIRE TO REMAIN INDEPENDENT WITH RESPECT TO AN UNCTAD INTEGRATED PROGRAM.

F. THE LDC'S HAVE NOT OPENLY OPPOSED AN INTEGRATED PROGRAM BUT THEY HAVE ONLY SUPPORTED IN IN GENERAL TERMS. WITH THE EXCEPTION OF THE AFRICAN COUNTRIES, THEY HAVE BEEN RELUCTANT TO INCLUDE THEIR OWN EXPORTS IN SUCH A PROGRAM. SOME COUNTRIES HAVE STATED THAT IN SPITE OF BEING IN AGREEMENT WITH SUCH A PROGRAM (AT LEAST IN GENERAL TERMS), THIS WOULD NOT IMPEDE THEIR SEARCHING FOR OTHER TYPES OF ACCORDS AND SOLUTIONS FOR PRODUCTS INDIVIDUALLY.

G. THE DEVELOPED COUNTRIES, ESPECIALLY THE LARGE CONSUMERS OF COPPER (USA, JAPAN, AND EEC), HAVE MADE KNOWN THEIR GENERAL OPPOSITION TO AN INTEGRATED PROGRAM, AND PARTICULARLY COMMON FUND (FONDO COMUN) FINANCING AND THEY COMPLETELY OPPOSE ANY TIE BETWEEN THE PRICE OF INDUSTRIAL GOODS AND OF PRIMARY MATERIALS.

H. LIKEWISE, THE SOCIALIST COUNTRIES ARE RESERVED ABOUT PARTICIPATING IN FINANCING A STABILIZATION PROGRAM, INASMUCH AS THEY CLAIM NO RESPONSIBILITY FOR ECONOMIC CYCLES AND PRICE FLUCTUATIONS.

I. A BUFFER STOCK REQUIRES ADEQUATE FINANCING. EVEN WITH THE MOST CONSERVATIVE ESTIMATES OF THE AMOUNTS NEEDED, MANY OF THE LDC'S WOULD BE HARD-PRESSED TO MAKE THEIR CONTRIBUTION.

ACTION REQUESTED: GOC POLICY APPARENTLY IS COINCIDENT WITH THAT OF USG IN THIS AREA. ADVISE IF DEPARTMENT PERCEIVES ANY POINTS OF DIFFERENCE, SINCE MINISTER VALENZUELA WOULD

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UNDoubtedly BE RECEPTIVE TO CONTINUING THE DIALOGUE.
POPPER

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